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NEW DELHI FOR FAA RANDALL FIERTZ
DEPT FOR SCA/PB AND EEB/TRA

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TAGS: [EAIR](#) [ECON](#) [PGOV](#) [BG](#)

SUBJECT: CIVIL AVIATION IN BANGLADESH: NOWHERE TO GO BUT UP

Classified By: CDA a.i. Geeta Pasi for reasons 1.4 (b) and (d)

11. (U) SUMMARY: After years of little or no progress there are signs that the civil aviation sector in Bangladesh is attempting to climb out of its hole of poor safety and abysmal performance. For a decade the Civil Aviation Authority of Bangladesh (CAAB) has been under a Category Two rating by the Federal Aviation Administration (FAA), indicating that Bangladesh does not meet minimum aviation safety oversight standards set forth by the International Civil Aviation Organization (ICAO). Mismanagement associated with Bangladesh's endemic corruption has left Biman Bangladesh Airlines (Biman), the national flag carrier, moribund. Both institutions however, have expressed a commitment to improve, revealed during recent visits to Dhaka by representatives from both the FAA and Boeing. Government control of the sector has also started to loosen. Biman became a public limited company (PLC) in July, albeit with the GOB maintaining a majority stake, and a number of private airlines have recently emerged, the first of which has now been in operation for nine years. The challenges remain daunting however, and if the sector is to truly recover it is at the start of a very long and difficult journey. END SUMMARY.

12. (SBU) In 1997 the FAA conducted a Safety Oversight Audit of the CAAB, finding that the CAAB did not meet international safety standards in five of eight areas. While Bangladesh's aviation safety laws were found to be compliant, operational standards were not being met, resulting in the FAA's assessment of Bangladesh as a Category Two country. Category Two status means that no operational changes, such as routing and aircraft equipment, may be made to any civil aviation services to the United States by Bangladeshi carriers. At the time of the assessment Biman was operating a service to New York's Kennedy Airport via Brussels, which it continued to operate until it suspended the route in 2006.

FAA and CAAB meet again

13. (SBU) Randall Fiertz, the FAA's Senior Representative for South Asia, visited Dhaka recently, marking the first interaction since 1997 between the FAA and CAAB. In a meeting with Fiertz and Embassy staff, CAAB Chairman Air Commodore Sakeb Iqbal Khan Majlis presented an outline of the eight areas in the FAA audit and the progress the CAAB has made in each one. The Chairman then urged the FAA to send another Safety Oversight Audit team to Dhaka, in hopes of returning Bangladesh to Category One status (ICAO safety compliance). Fiertz replied that there have been some

changes to the ICAO standards in the last ten years, and that the CAAB needs to be absolutely sure of itself before requesting a new audit. In the event that the CAAB fails another audit there may not be an opportunity for a third audit for many years. He suggested that the CAAB consider requesting a Technical Review, in which the FAA would conduct a review of the same areas as an audit, but would also include an action plan to address any areas still found non-compliant, in preparation for an eventual International Safety Oversight Audit. After conferring with the Secretary of Civil Aviation and Tourism, the CAAB Chairman agreed and has formally requested a Technical Review in a letter to the FAA's Manager of International Programs and Policy.

Biman struggles to survive

¶4. (SBU) Poor management under government control has left national carrier Biman with enormous debt, a shortage of skilled technical staff, a bloated non-technical workforce and a fleet of ancient aircraft. Before recent cuts were made to the payroll, the airline employed over 6,000 workers - by some estimates five times the number needed, while it suffered from a severe shortage of highly skilled technical personnel. It has a fleet of 13 aircraft, of which only nine are airworthy. The most modern aircraft in the fleet are three Airbus A310s of mid-1980s vintage. The remaining types, consisting of McDonnell-Douglas DC-10s and Fokker F28s are well over thirty years old. The airline has been forced to suspend roughly half of its international routes and reduce services on those routes still in operation. Biman's share of its home market has declined from 56% ten years ago to about 34% today. As a result, Bangladesh suffers from a

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shortage of air passenger seats. Hajj pilgrims and the large number of Bangladeshi expatriates in the Middle East and Southeast Asia are particularly affected.

¶5. (SBU) In July Biman became a public limited company, with the GOB offering 49% of the airline's ownership to the private sector. The airline's Managing Director, Dr. M.A. Momen, has taken a more business-centered approach to running the airline in the 18 months since he took the helm. He has reduced the airline's work force from over 6,000 employees to around 3,000, and he has re-opened discussions with Boeing on the possible purchase of Boeing 777 and 787 aircraft. Daunting challenges remain, however. Biman faces a severe shortage of skilled technical staff as employees are easily drawn away to airlines in the Middle East, India or Southeast Asia, which enjoy access to much more capital. The increasing cost of jet fuel, which is more expensive in Dhaka than in nearby hubs, has also hit Biman hard, and it will be years before Biman can acquire new aircraft of its own. To maintain operations Biman will need to lease more aircraft for several years, as the current equipment is unlikely to remain airworthy much longer. Dr. Momen joked that he looked forward to the day when he can use Biman's existing fleet to open an aviation history museum.

¶6. (C) Dr. Momen also lamented the continued intrusion of the government. Despite becoming a PLC, Biman is still majority owned by the GOB and six of its eight board members are government officials. At present Biman is facing political pressure to resume services to the United States. But as long as the CAAB is under Category Two, Biman would be forced use the same inefficient and ageing aircraft, and the same unprofitable route (Dhaka-Brussels-New York) that it used previously, something it can ill afford to do. Moreover, the FAA would need to agree to Biman's resumption of service as it has been dormant for the past 16 months.

Boeing visits Bangladesh

17. (C) Embassy staff also recently met with Mr. Miguel Santos, Boeing's London-based international sales director, who was in Dhaka to resume discussions with Biman. Mr. Santos described years of frustration in working in Bangladesh, losing traction on proposed contracts with each change of government and witnessing blatant acts of corruption. He was intrigued by the new political situation in the country and cautiously wondered if progress could now be made on the proposed sale of 777 and 787 aircraft. The director was not overly optimistic about Biman's recovery, pointing out that the airline had barely begun to work out the financing requirements, and stating that new planes won't solve Biman's safety and performance problems. He confided that Biman is his only client that he won't fly. (NOTE: Post policy authorizes Department personnel to use alternative carriers for official travel even if Biman offers the lowest fare. END NOTE).

Private airlines take flight

18. (SBU) A number of new private airlines have started to appear in the skies over Bangladesh. The largest of these, GMG Airlines, began flying in 1998 and has grown into a sizeable domestic and regional carrier, enjoying a much better service reputation than Biman. The emergence of new carriers has accelerated in the last year, with announcements of new airlines, often backed by garment industry- or foreign-raised capital, regularly appearing in the media. But the survival of these airlines is by no means assured, as they face many of the same obstacles faced by Biman. Even comparatively healthy GMG is often forced to cancel flights due to shortages of fuel, spare parts and qualified personnel.
Pasi